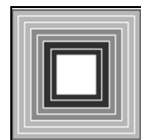


Natural & Economic Resources (NER) Overview

February 8, 2011



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Presentation Outline

- Fiscal Research Division
- Frequent Budget Terms
- NER Budget Overview
- Department Overviews
- Budget Timeline & Process



Fiscal Research Division

- Non-partisan staff serving all 170 members of the NCGA
- Primary staff to Appropriations Subcommittees
 - Analyze requests/ recommendations related to agencies and their budgets;
 - Make presentations to committees
 - Prepare Committee Report (aka Money Report)
 - Assist Bill Drafting Division with preparation of appropriations bills
 - Coordinate administrative requirements for meetings with Chairs
- Estimate the cost of proposed legislation

Fiscal Research Division Teams

Fiscal Analysts are organized
into teams of 2-6 analysts

- Health and Human Services
- Education
- Justice and Public Safety
- Natural and Economic Resources
- General Government/
Capital
- Transportation/
Information Technology
- Salaries and Benefits
- Economy and Taxation
- Joint Budget Development

Fiscal Notes

- Five-year analysis of all estimated fiscal effects of a bill on expenditures or revenue of the State.
- Elements:
 - Summary table with impact estimate
 - Brief summary of bill
 - Assumptions and methodology – analysis of costs
- Prepared upon request of bill sponsor or other member
- Confidential until Note becomes public
- Goal for turnaround time is one week
 - Requests from the Floor completed within two legislative days.

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Budget Terms: Appropriation

Appropriation

An enactment by the General Assembly authorizing the withdrawal of money from the State treasury.

(State Budget Act - Chapter 143C)

“No money shall be drawn from the State treasury but in consequence of appropriations made by law”

(NC Constitution, Art. V, Section 7)

Budget Terms: Budget Types

Certified: the budget as enacted by the General Assembly plus any funds appropriated to reserves to be allocated to agencies

Authorized: the certified budget updated to reflect line-item reallocations approved by the Office of State Budget & Management

Actual: the budget as it was or is implemented

Continuation (Base): the budget required to carryout already established programs at the level of support approved by a previous General Assembly; may include inflationary increases and annualization of costs funded previously for a partial year

Budget Terms: Funds

General: the main source of operating funds for the State; these funds typically revert at the end of the fiscal year

Special: fund to which revenues are deposited that are designated for a specific purpose and remain in the account until expended for that purpose

Ex: Leaking Underground Storage Tanks

Enterprise: fund in which all (or most) of the revenue is derived from direct charges to users of the services supplied by the program supported by the fund.

Ex: State Fair



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NER Main Agencies

Department of Commerce

Department of Agriculture &
Consumer Services (DACS)

Department of Environment &
Natural Resources (DENR)

Department of Labor (DOL)

Additional NER Entities

Boards & Commissions

- ABC Commission
- Cemetery Commission
- Credit Union Commission
- Employment Security Commission
- Lottery Commission
- Industrial Commission
- Ports Authority
- Rural Electrification Authority
- State Banking Commission
- Utilities Commission & Public Staff
- Wildlife Resources Commission

Conservation Trust Funds

- Clean Water Management Trust Fund
- Ag. Dev. & Farmland Preservation Trust Fund
- Natural Heritage Trust Fund
- Parks & Recreation Trust Fund

MSA Entities

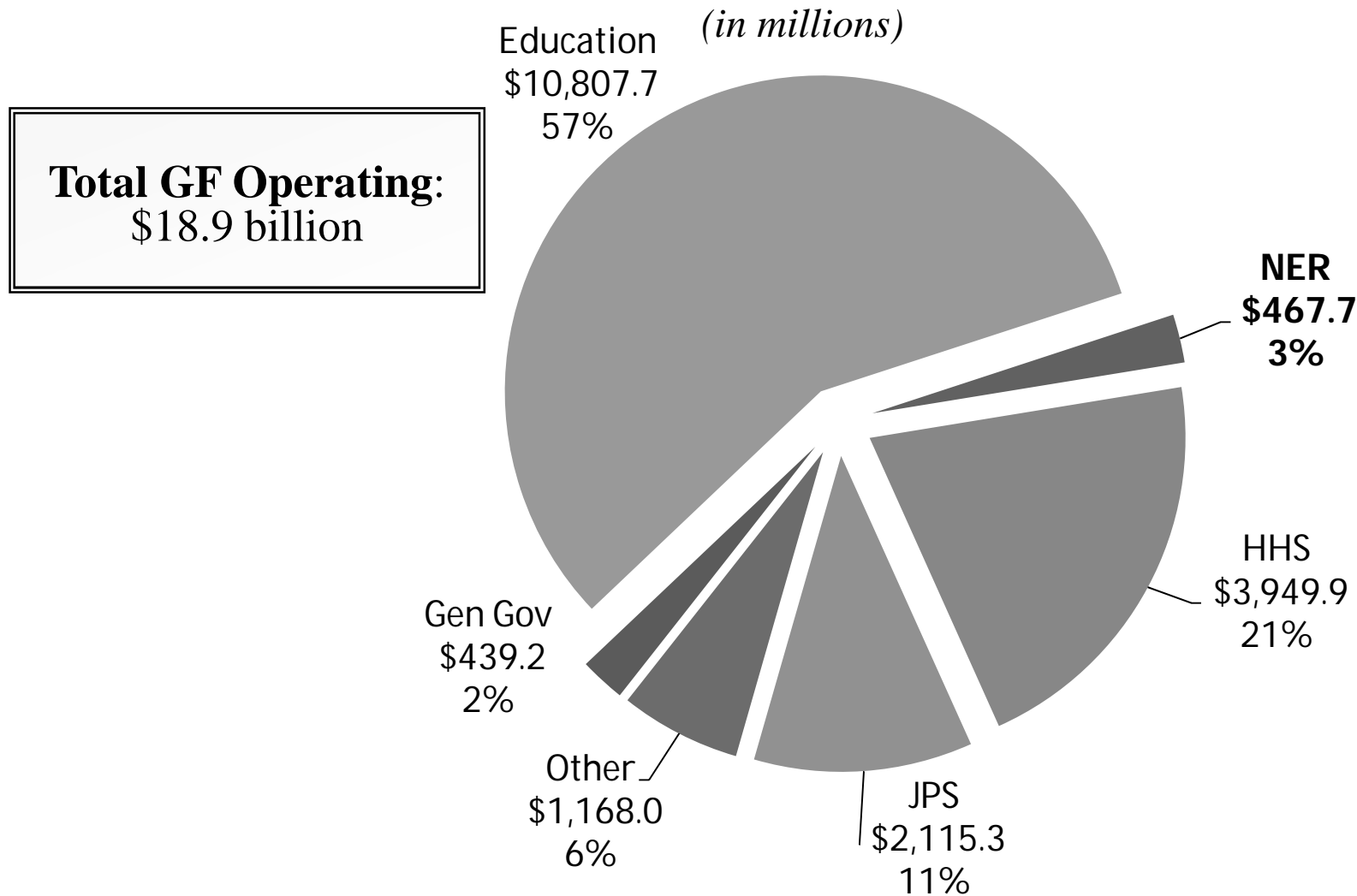
- Tobacco Trust Fund Commission
- Golden LEAF

Non-Profits funded in NER

- Association of CDCs
- Biofuels Center
- Biotechnology Center
- Community Development Initiative
- COGs
- e-NC Authority
- High Point Furniture Market
- Inst. For Regenerative Medicine
- Inst. of Minority Economic Development
- Land Loss Prevention Project
- Minority Support Center
- NC CAR
- Regional Econ. Dev. Commissions
- Rural Economic Development Center
- Grassroots Science Museums
- Partnership for the Sounds
- FFA
- Farm Bureau (Ag in the Classroom)

Total General Fund Certified Budget

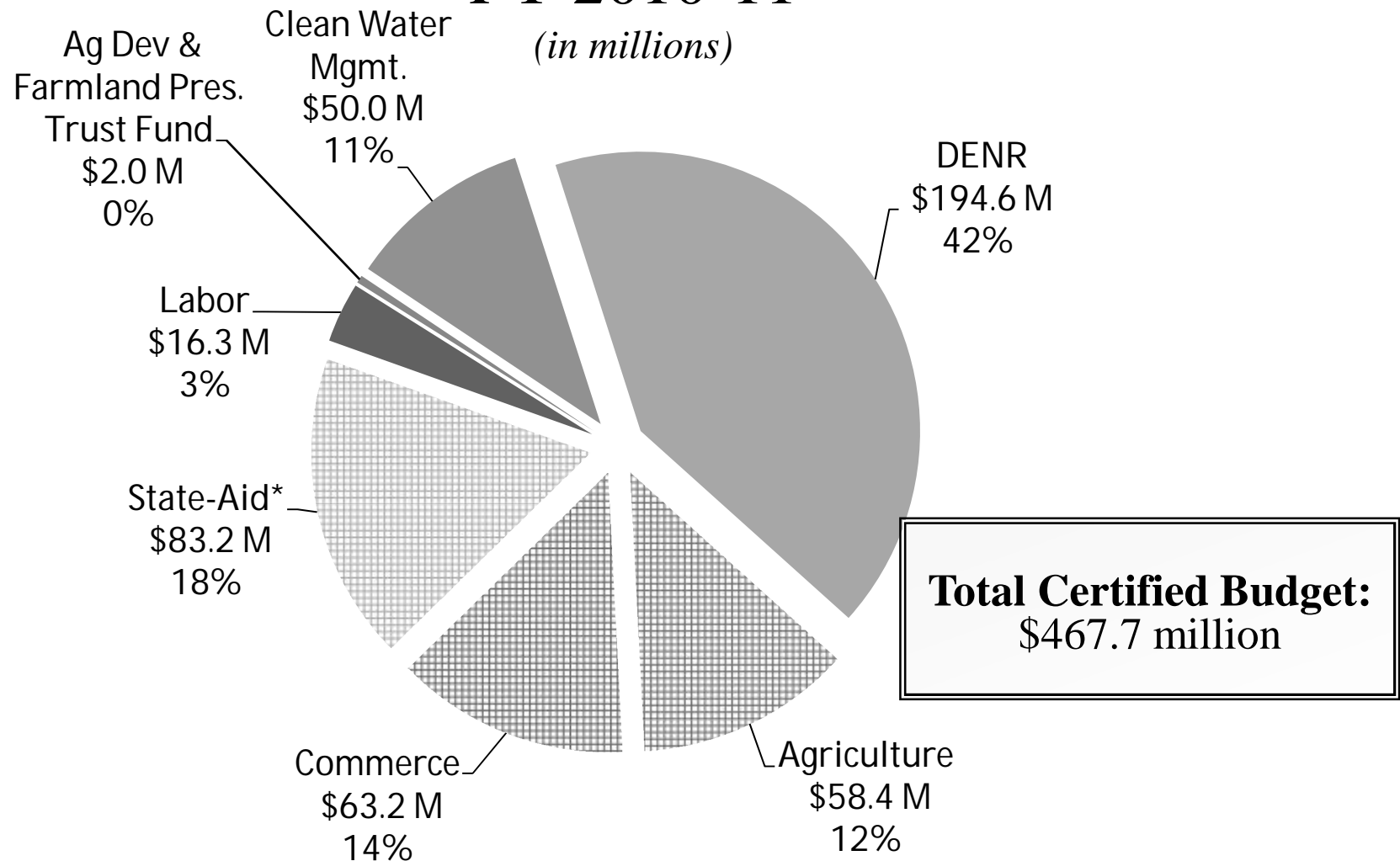
FY 2010-11



NER General Fund Certified Budgets

FY 2010-11

(in millions)



* Pass-through funding to non-profits

NER Budget Highlights FY 2010-11

- Core Agency Operating Reductions:
 - DACS: 4.3%
 - DOL: 6.3%
 - DENR: 5.4%
 - Commerce: 7.2%
 - 22.5 vacant & 23 filled positions eliminated
 - 47.7 positions fund-shifted
- Several program consolidations/eliminations
- Several large items funded with nonrecurring funds:
 - One NC Fund, other economic development programs
 - State Revolving Funds
- WRC sales tax transfer capped at \$21.5 million & additional \$3 million transferred to General Fund availability

Presentation Outline

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DOL Basics

- 420.75 FTE
- \$31.1 million annual budget
- Range of Issues
 - Mining safety
 - Elevator and amusement ride inspections
 - Employment discrimination investigations
 - Wage and hour investigations
 - Migrant housing regulation and inspection
 - Occupational safety & health inspections
 - Apprenticeship program



FY 2009-10 **Budget Highlights**

Expenditures:

\$30.9 m

Receipts:

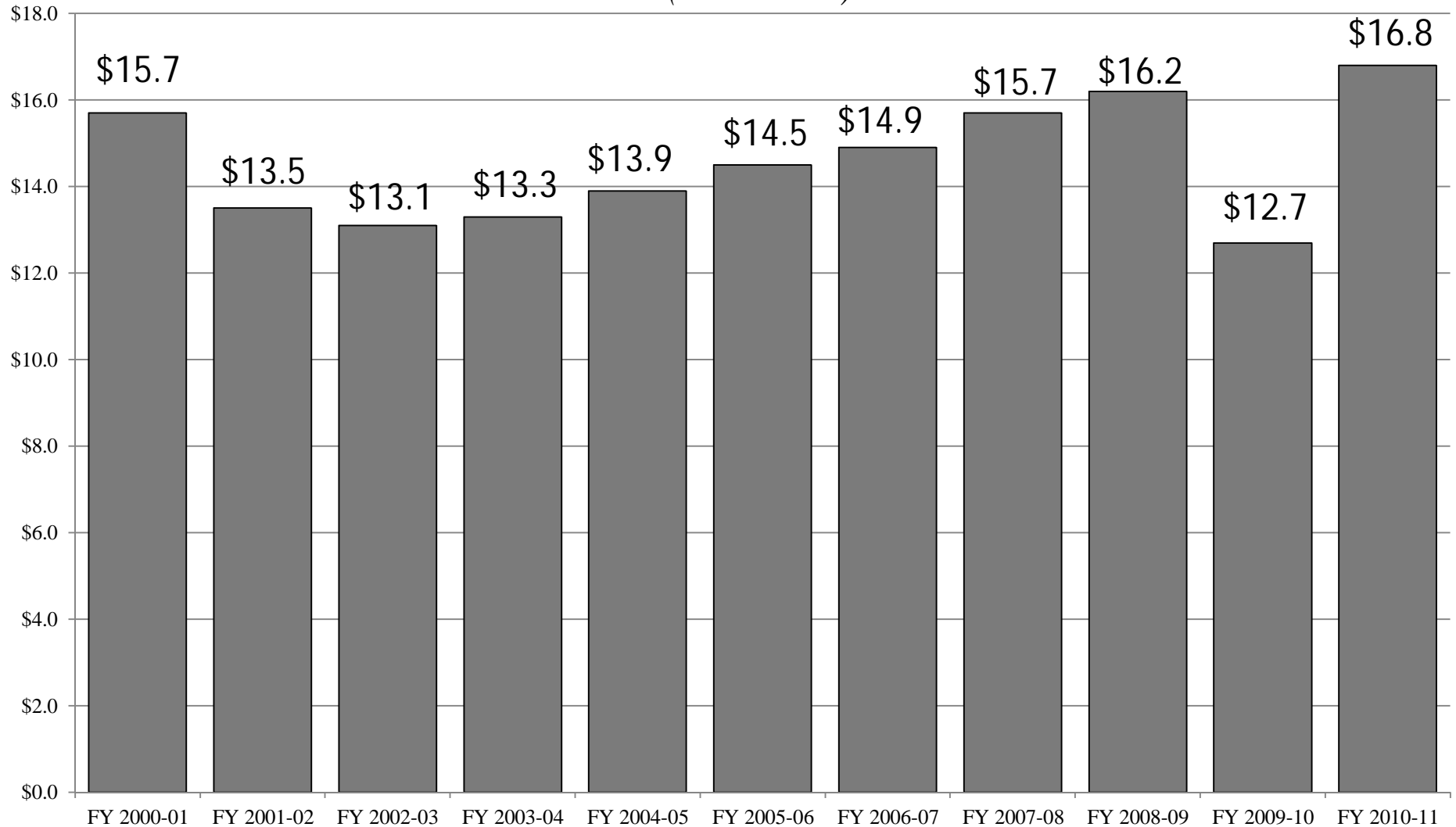
\$17.3 m

Appropriation:

\$13.6 m

DOL: 10-Year General Fund History

(in millions)



DOL

FY 2009-11 Budget Actions

Reductions

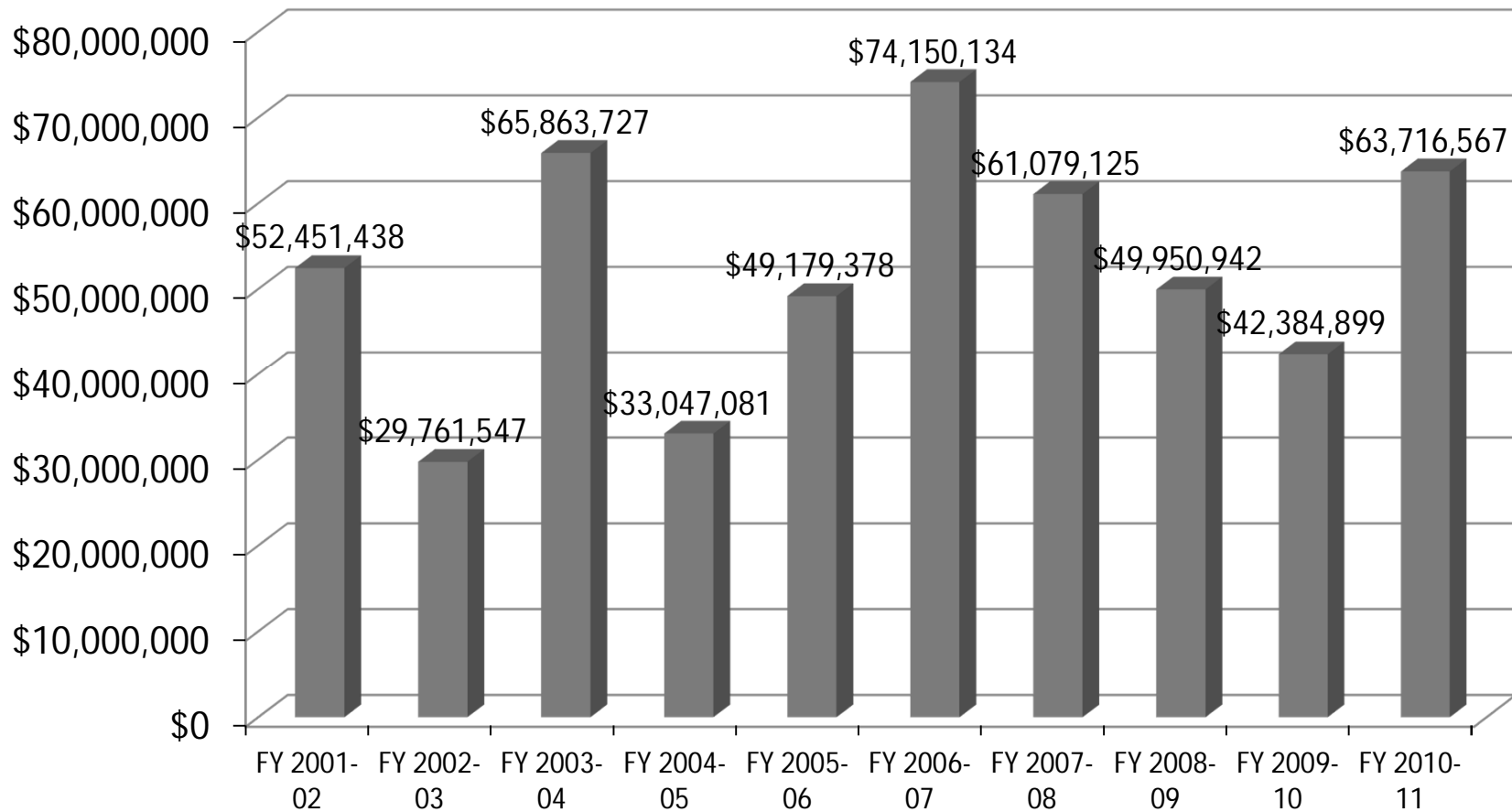
- Eliminated 14.5 vacant positions
- Various operating reductions
- FY 2009-10: Apprenticeship Program reduced \$450,000
 - \$50 fee for private sector apprentices to offset reduction
- FY 2010-11: Apprenticeship Program reduced additional \$200,000
 - Fee expanded to included public sector apprentices

Commerce Basics

- Primary economic development agency for the State
- Community and workforce development programs
- Nearly 500 FTE
- \$412 million in expenditures
- \$349 million in receipts
 - Federal Community Development Block Grant
 - Workforce Investment Act
 - Industrial Commission Receipts
- \$63 million in General Fund appropriation
 - Varies due to nonrecurring economic development funding

Commerce

10-year General Fund History



Commerce: FY 2009-11 Budget Actions

Reductions

- Eliminated 13.0 Vacant Positions
- General Operating Expense Reductions
 - Travel, IT, Supplies
- Aircraft
 - 2009-10: Directed to sell King Air
 - 2010-11: Transferred Aircraft Division to DOT

Commerce: FY 2009-11 Budget Actions

Expansion

- China Office - \$175k R
- Brazil Office - \$200k NR
- One NC Small Business -\$700k and \$1.5M
- Main Street Solutions - \$2M and \$1.5M
- One NC - \$12.5 million (2010-11)
- JMAC - \$6.5 million (2010-11)
- Marketing - \$875k NR
- Tourism Marketing - \$1M NR

Transferred Energy Office from Administration to Commerce

Commerce Boards & Commissions

- ABC Commission
- Cemetery Commission
- Credit Union Commission
- Employment Security Commission
- Lottery Commission
- Industrial Commission
- Ports Authority
- Rural Electrification Authority
- State Banking Commission
- Utilities Commission & Public Staff

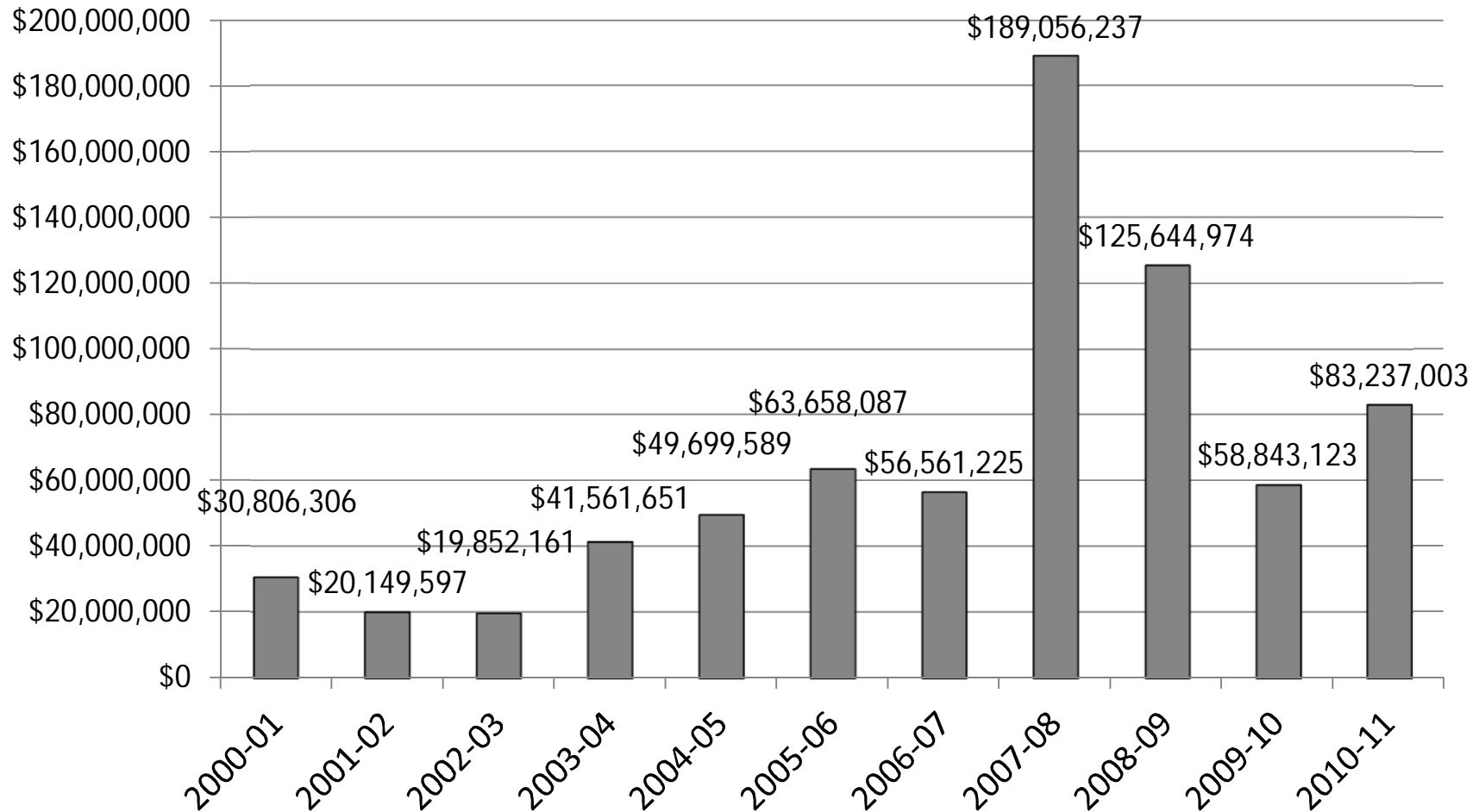
**FY 2009-10: Swept cash balances
for \$22.9M in one-time money**

Commerce State Aid

- Association of CDCs
- Biofuels Center
- Biotechnology Center
- Community Development Initiative
- COGs
- e-NC Authority
- High Point Furniture Market
- Inst. For Regenerative Medicine
- Inst. of Minority Economic Development
- Land Loss Prevention Project
- Minority Support Center
- NC CAR
- Regional Econ. Dev. Commissions
- Rural Economic Development Center
- Various others have received nonrecurring funds

Commerce State-Aid

10-year General Fund History

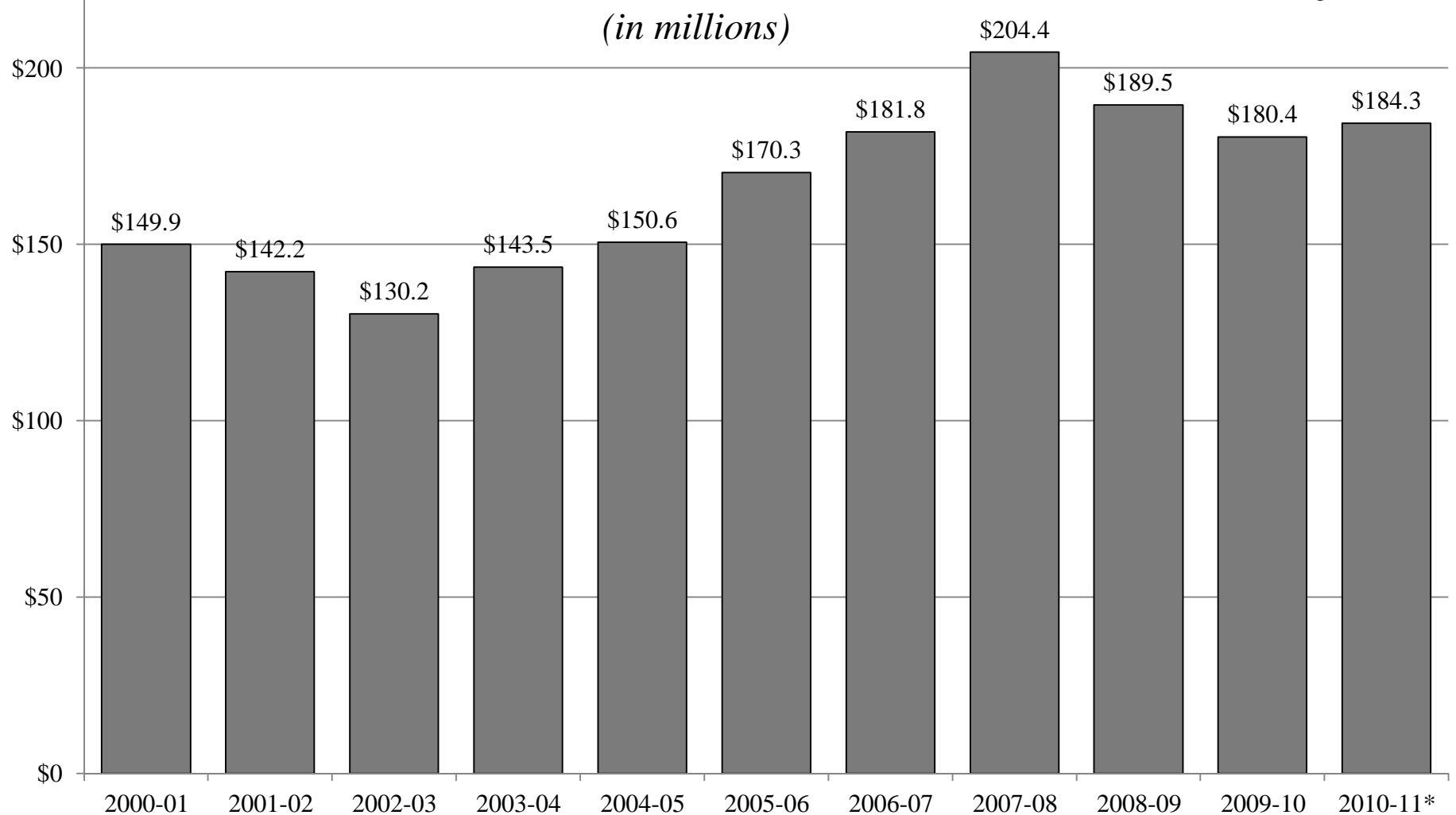


DENR Basics

- Over 4,000 employees
- Central Raleigh office + 7 regional offices
- Wide range of issues
 - Special attractions: Zoo, Aquariums, Museums, Parks
 - Air quality
 - Water & wastewater management
 - Landfills & waste management
 - Coastal management & marine fisheries
 - Sediment & erosion control
 - Radiation protection
 - Recycling programs



DENR: 10-Year General Fund History



DENR: FY 2009-11 Budget Actions

- **Special Funds**
 - Use of Cash Balance by Governor and General Assembly
 - Closure of over 30 Special Funds
- **Fee Increases**
 - Radiation Protection, State Parks, Food & Lodging, Hazardous Waste
- **Vacant positions**
 - Eliminated nearly 70 positions in FY 2009-10
- **Programmatic Changes**
 - Eliminated programs
 - Consolidations
- **State Revolving Funds – State match amounts**
 - Clean Water: \$0.9M in FY 2009-10; \$6.4M in FY 2010-11
 - Drinking Water : \$5.5M in FY 2009-10; \$6.2M in FY 2010-11

Clean Water Management Trust Fund (CWMTF)

- G.S. 113A-253
- Created in 1996
- Funding Source:
 - G.S. sets appropriation of \$100 million annually
- 21 member board
- Eligible Applicants:
 - State agencies
 - Local governments
 - Nonprofits

Use of Fund:

- To enhance or restore **degraded waters**,
- To **protect unpolluted** waters,
- To contribute toward a network of **riparian buffers and greenways** for environmental, educational, and recreational benefits.

Budget Actions

FY 2009-11: \$50 million

FY 2008-09 – Governor – \$115 million
to balance the budget

Natural Heritage Trust Fund (NHTF)

- G.S. 113-77.6 - 77.9
- Created in 1987
- Funding Sources:
 - 25% of deed stamp tax
 - Fees from specialty license plates (\$5/plate)
 - Interest earnings
- 12-member citizen board

Purpose of Fund:

To serve as a funding source for **state agencies** to acquire and protect land with **outstanding natural or cultural heritage value.**

Budget Actions

FY 2008-09 – Governor – \$2.8 million
to balance the budget

Parks and Recreation Trust Fund (PARTF)

- G.S. 113-44.15
- Created in 1994
- Funding Sources:
 - 75% of deed stamp tax
 - Fees from specialty license plates (\$5/plate)
 - Interest earnings
- 11-member appointed board

Purpose of Fund:

- To improve the **state's park system** (65%)
- To provide grants for **local governments** (30%)
- To improve public **access to the state's beaches** (5%).

Budget Actions

FY 2008-09 – Governor – \$6 million
to balance the budget

Agriculture Development & Farmland Preservation Trust Fund (ADFPTF)

- Established in 1986
 - First funded in 1998
- Funded by the General Fund
- Eligible Recipients:
 - Nonprofit organizations
 - Local governments

Purpose of Fund:

Conservation Agreements
Agricultural Easements
Public & Private Enterprise
Programs

Budget Actions

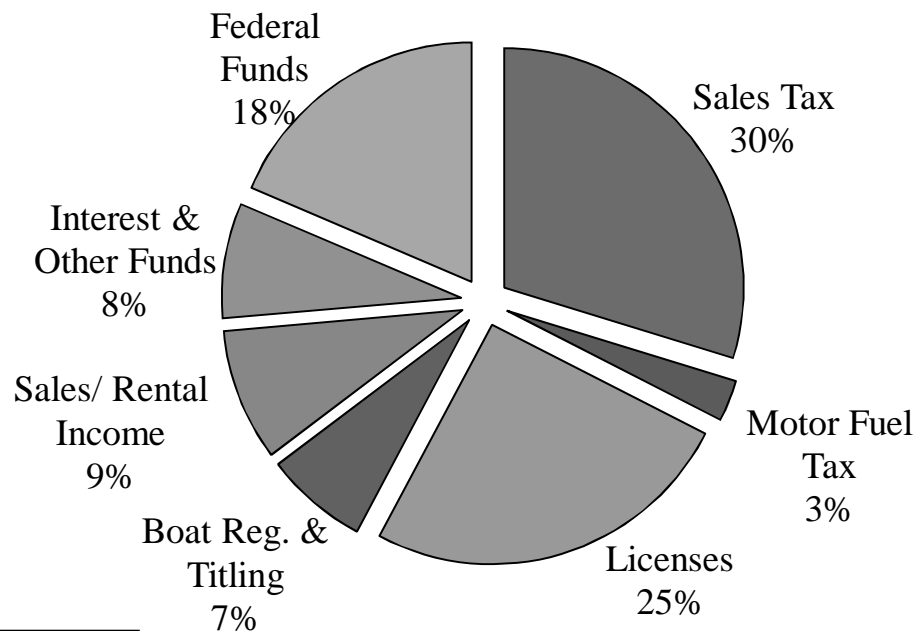
FY 2010-11: \$2 million R

First Recurring Funding

WRC: Basics

- Created in 1947
- 680+ employees
- Six divisions
- Wildlife Endowment Fund

**Source of Funds
FY 2010-11**

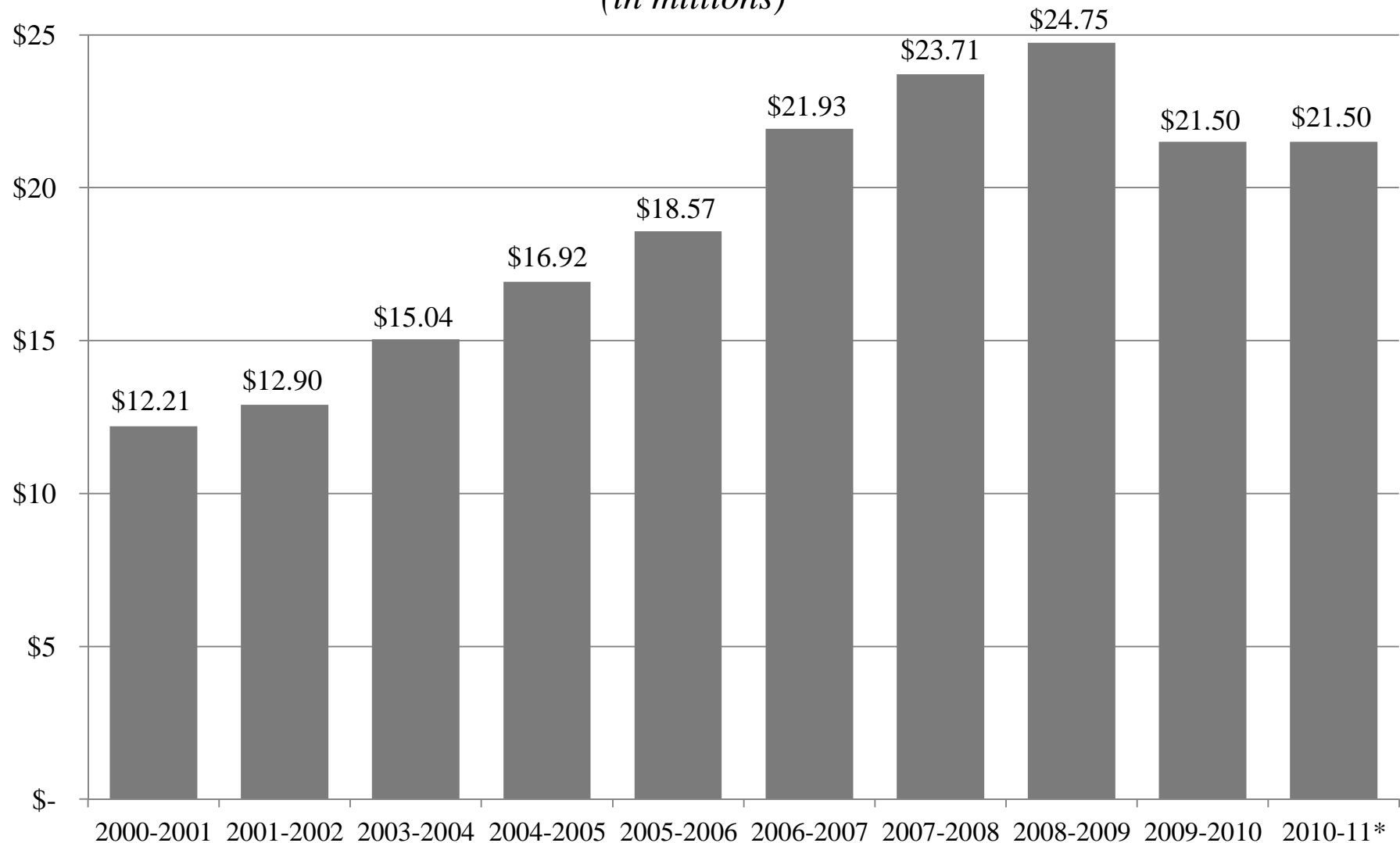


FY 2010-11 Total Expenditures

\$ 79.5 million

WRC: 10-Year Tax Transfer History

(in millions)



WRC: FY 2009-11 Budget Actions

FY 2009-11

- Capped Sales Tax transfer at \$21.5 million
- Transferred State requirement for funding the Beaver Management Assistance Program to WRC (\$349,000)

FY 2010-11

- Required a \$3 million transfer of sales tax revenue to support General Fund availability

Dept. of Agriculture & Consumer Services (DACS) Basics



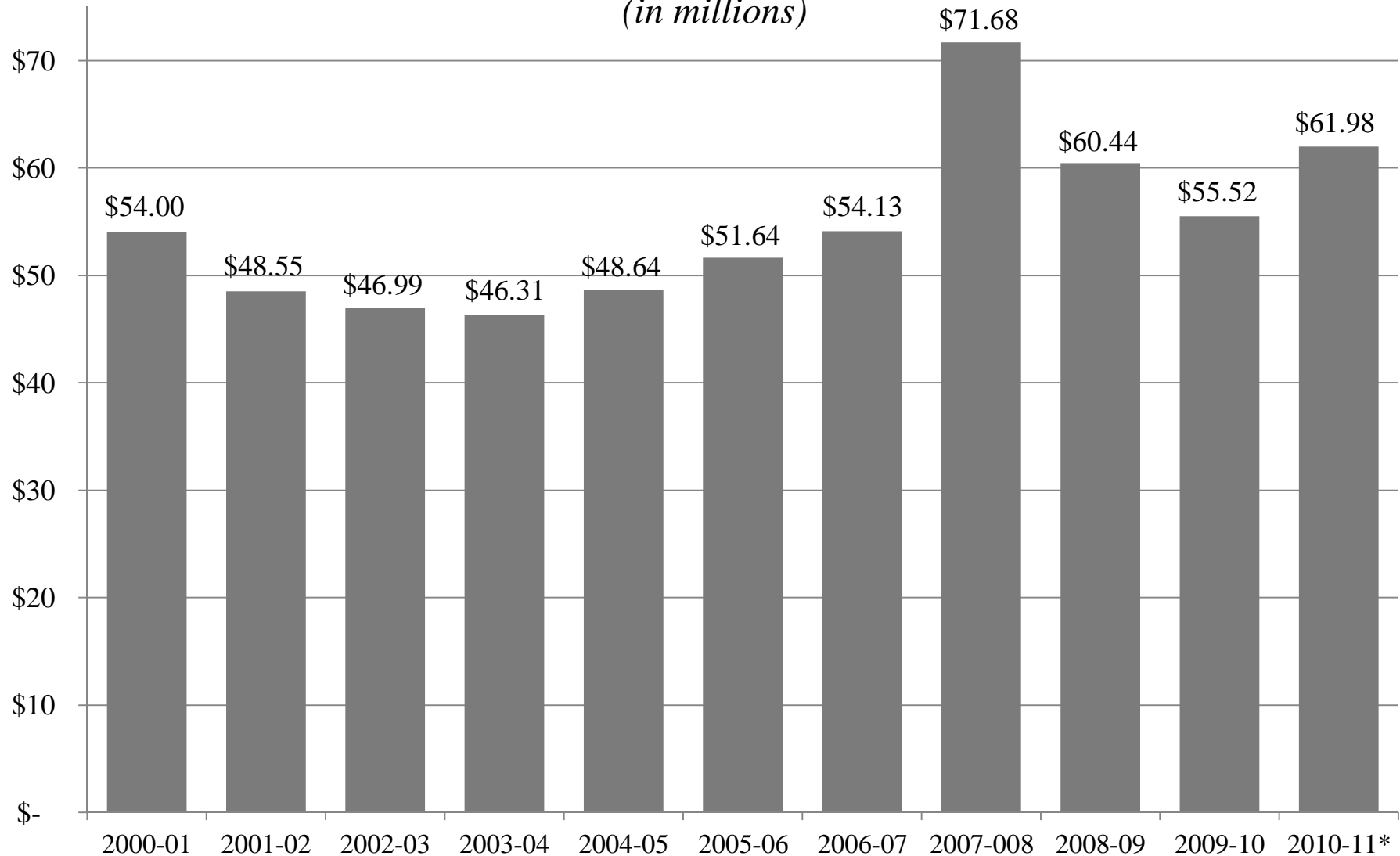
- Nearly 1,300 employees
- Divided into:
 - Admin
 - Agriculture
 - Consumer Services
 - Enterprise Funds

FY 2010-11 Budget Highlights

Expenditures:	\$ 116.5 M
Receipts:	\$ 51.2 M
Appropriation:	\$ 62.0 M

DACS: 10-year General Fund History

(in millions)



DACS: FY 2009-11 Budget Actions

Reductions

- Eliminated Vacant Positions
- Increased Fees
- Closed the Rose Hill Vet Lab (FY 2010-11)
- Transferred the Spay/ Neuter Program (FY 2010-11)
- Transferred the majority of the Pesticide section to receipt-support

Expansion

- \$2m for Farmland Preservation (recurring in FY 2010-11)
- Funding for Got to Be NC

Presentation Outline

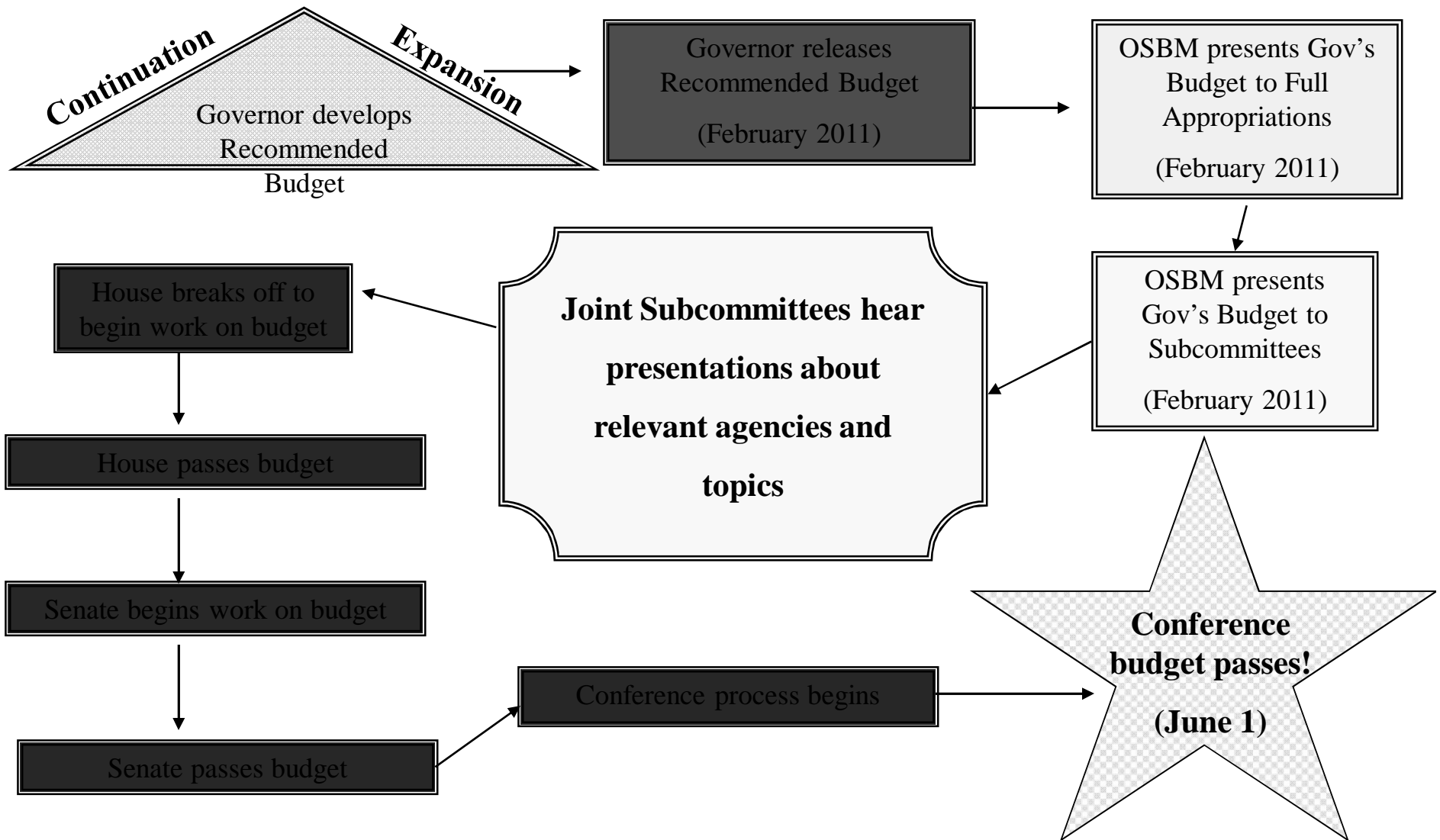
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The Budget Process

- Governor develops Continuation Budget
 - Takes out non-recurring items
 - Adjusts salaries and fringe
 - Inflationary increases to travel, equipment, utilities, gas
 - Operating reserves for new buildings and facilities
- Governor presents Recommended Budget
- Joint Subcommittees work on recommendations
- House develops budget
- Senate fails to concur, develops budget
- Conference committee develops budget

The Budget Process Flowchart



Contact Information

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DENR- Natural Resources, Agriculture, WRC, Tobacco, CWMTF

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Commerce, Boards & Commissions, State-Aid